

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Kingsley	County Grand Traverse
Audit Date 2/28/06	Opinion Date 6/19/06	Date Accountant Report Submitted to State: 8/1/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

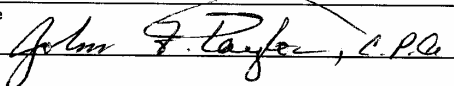
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 West Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 8/1/06

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2006

VILLAGE OF KINGSLEY, MICHIGAN

FEBRUARY 28, 2006

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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2006

INDEPENDENT AUDITORS' REPORT

To the President and Village Council
Village of Kingsley, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Kingsley, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Kingsley, Michigan's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Kingsley, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2006, on our consideration of the Village of Kingsley, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an

opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xii and 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Kingsley, Michigan's, basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Kingsley, Michigan. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Management's Discussion and Analysis

The management of the Village of Kingsley, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$7,817,454 (shown as *Net Assets*), representing an increase of \$1,299,206 over the previous fiscal year. Governmental Funds represented \$309,698 of this increase, while Business-Type activities accounted for \$989,508 of the increase.

Fund Level Financial Highlights

- ❖ As of February 28, 2006, the governmental funds of the Village of Kingsley reported combined ending fund balances of \$1,101,883, of which \$325,614 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund decreased this year to \$239,624.

Long-Term Debt

- ❖ The Village of Kingsley's total debt increased by \$133,194 during the fiscal year to \$1,802,959.

Overview of the Financial Statements

The Village of Kingsley's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Recreational Complex Fund, South Brownson Fund and the Oil, Gas and Mineral Trust Fund. The major Proprietary Funds include the Water Fund and Sewer Fund. Presentation of major funds can be found on pages 40-60 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Kingsley uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue, capital project, and permanent funds.

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the Village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund.

Component Units The Village's annual financial report includes reporting on separate legal entities for which the Village has some level of financial responsibility. These funds are shown in a separate column. The Village's only component unit is the Downtown Development Authority.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on pages 37-39 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$7,817,454 at February 28, 2006, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in net assets over the previous fiscal year.

VILLAGE OF KINGSLEY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Village of Kingsley Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 1,425,018	\$ 1,440,909	\$ 1,246,384	\$ 1,176,878	\$ 2,671,402	\$ 2,617,787
Capital Assets	1,853,830	1,425,451	5,655,678	4,548,182	7,509,508	5,973,633
Total Assets	<u>\$ 3,278,848</u>	<u>\$ 2,866,360</u>	<u>\$ 6,902,062</u>	<u>\$ 5,725,060</u>	<u>\$ 10,180,910</u>	<u>\$ 8,591,420</u>
Long-term liabilities	\$ 60,092	\$ 60,996	\$ 1,676,212	\$ 1,405,653	\$ 1,736,304	\$ 1,466,649
Other liabilities	243,365	139,671	383,787	466,852	627,152	606,523
Total Liabilities	<u>\$ 303,457</u>	<u>\$ 200,667</u>	<u>\$ 2,059,999</u>	<u>\$ 1,872,505</u>	<u>\$ 2,363,456</u>	<u>\$ 2,073,172</u>
Net Assets						
Invested in capital assets						
net of related debt	\$ 1,791,452	\$ 1,350,002	\$ 3,835,856	\$ 2,961,182	\$ 5,627,308	\$ 4,311,184
Restricted	769,914	812,606	0	0	769,914	812,606
Unrestricted	414,025	503,085	1,006,207	891,373	1,420,232	1,394,458
Total Net Assets	<u>\$ 2,975,391</u>	<u>\$ 2,665,693</u>	<u>\$ 4,842,063</u>	<u>\$ 3,852,555</u>	<u>\$ 7,817,454</u>	<u>\$ 6,518,248</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$1,420,232 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$1,299,206 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-Wide Statement of Activities.

VILLAGE OF KINGSLEY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

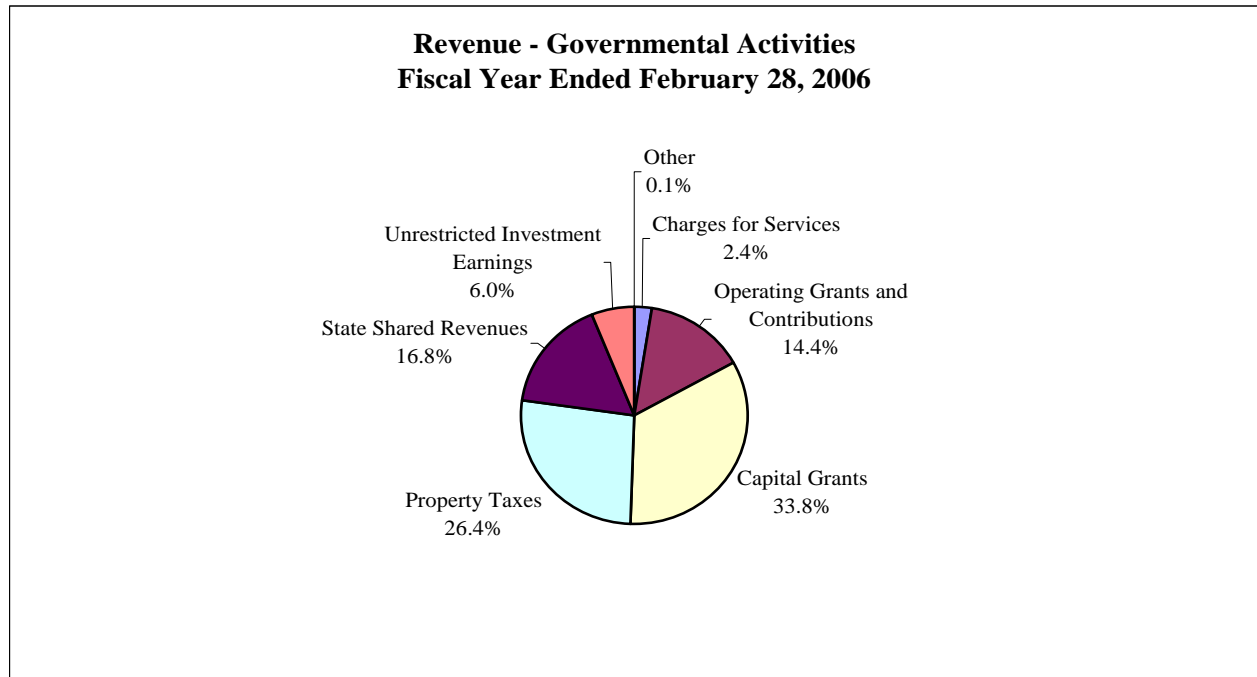
Village of Kingsley
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 19,781	\$ 4,934	\$ 517,003	\$ 470,428	\$ 536,784	\$ 475,362
Operating Grants and Contributions	118,831	205,658	0	0	118,831	205,658
Capital Grants	278,378	0	1,225,606	975,268	1,503,984	975,268
General Revenues						
Property Taxes	217,699	202,996	0	0	217,699	202,996
State Shared Revenue	138,101	139,929	0	0	138,101	139,929
Unrestricted Investment Earnings	49,627	35,560	45,403	10,290	95,030	45,850
Gain (Loss) on Sale of Assets	0	6,530	0	0	0	6,530
Other	940	3,306	0	24,475	940	27,781
Total Revenues	<u>\$ 823,357</u>	<u>\$ 598,913</u>	<u>\$ 1,788,012</u>	<u>\$ 1,480,461</u>	<u>\$ 2,611,369</u>	<u>\$ 2,079,374</u>
<u>Expenses</u>						
General Government	\$ 96,780	\$ 149,162	\$ 0	\$ 0	\$ 96,780	\$ 149,162
Public Safety	6,921	7,906	0	0	6,921	7,906
Public Works	291,575	177,103	0	0	291,575	177,103
Planning	30,064	6,742	0	0	30,064	6,742
Recreation and Culture	26,289	19,571	0	0	26,289	19,571
Other Functions	57,030	88,687	0	0	57,030	88,687
Trust Fund	5,000	5,000	0	0	5,000	5,000
Water and Sewer	0	0	798,504	316,226	798,504	316,226
Total Expenses	<u>\$ 513,659</u>	<u>\$ 454,171</u>	<u>\$ 798,504</u>	<u>\$ 316,226</u>	<u>\$ 1,312,163</u>	<u>\$ 770,397</u>
Increase in Net Assets	\$ 309,698	\$ 144,742	\$ 989,508	\$ 1,164,235	\$ 1,299,206	\$ 1,308,977
Beginning Net Assets	2,665,693	2,520,951	3,852,555	2,688,320	6,518,248	5,209,271
Ending Net Assets	<u>\$2,975,391</u>	<u>\$ 2,665,693</u>	<u>\$4,842,063</u>	<u>\$3,852,555</u>	<u>\$ 7,817,454</u>	<u>\$6,518,248</u>

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2006:

VILLAGE OF KINGSLEY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006



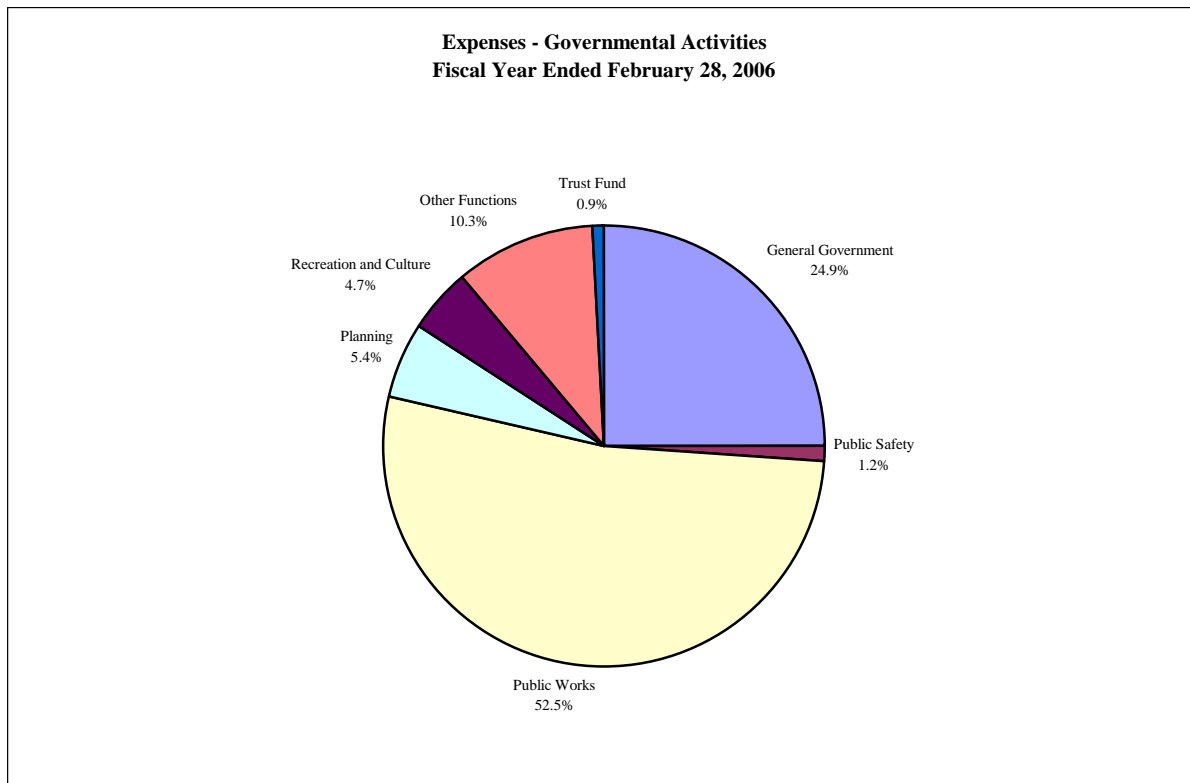
The most significant portion of the revenue for all governmental activities of the Village of Kingsley comes from Capital Grants and Contributions. This figure includes Department of Natural Resources grant money for the Recreation Complex Fund and Community Development Block grant money for the South Brownson Capital Projects Fund.

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2006 was 10.0558 mills. The Village's charter allows the Village to levy up to 12.5 mills for operations. Due to State statutes, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2006, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The following chart depicts expenses of the governmental activities of the Village for the fiscal year ended February 28, 2006:

VILLAGE OF KINGSLEY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006



The Village's governmental activities expenses are dominated by the Public Works expenses that total 52.5% of total expenses. The Village spent \$291,478 in FY2005/2006 on Public Works. Expenses in the General Fund (\$188,390) represent a majority of the Public Works expenditures. General government represented the next largest expense at \$138,447, or 24.9% of total expenses within the governmental activities.

Business-Type Activities

The Village's business-type activities accounted for an increase of \$989,508 in the Village's Net Assets, or about 78.7% of the total growth in the Village's net assets for the fiscal year ended February 28, 2006.

The Business-type activities of the Village include the Water Fund and Sewer Fund, which provide water and sewer utility services to Village residents as well as commercial customers.

The Water and Sewer activity represents the business-type activities of the Village. Water activity accounts for 17.0% of the total expenses and 46.1% of the total revenue of the business-type activities. Sewer activity accounts for 83.00% of the total expenses and 53.9% of the total revenue of the business-type activities.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2006, its governmental funds reported fund balances of \$1,101,883. Of this amount, \$325,614, or 29.6% is unreserved. This amount includes \$43,627 designated for street improvements and \$42,363 for civic improvements. There is \$239,624 of unreserved and undesignated fund balance. The remaining \$776,269 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$60,925, bringing the balance to \$245,979. All of the General Fund's major functions with the exception of Culture and Recreation ended the year with expenditures below appropriated amounts. Property tax revenues in the General Fund increased \$14,703 in 2006, an increase of 7.2%. State shared revenue decreased by \$1,828 from the amount received in the previous fiscal year, representing a 1.3% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

Major Street Fund – The Major Street Fund completed \$2,920 in street construction and improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$42,847. This was an increase of \$13,451 from the previous year.

Local Street Fund – The Local Street Fund increased its fund balance in this fiscal year by \$573, bringing the balance to \$780.

Proprietary Funds The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$350,861 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$12,945, a 7.4% increase. This fund experienced an increase in interest income of \$5,405, or 666.5% from the previous fiscal year. The net assets of this fund increased by \$687,160 in 2006. This fund remains in sound fiscal condition moving forward.

Sewer Fund – The Sewer Fund ended this fiscal year with \$629,523 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$24,698, a 9.5% increase. This fund experienced an increase in interest income of \$10,508, or 110.9% from the previous fiscal year. The net assets of this fund increased by \$298,857 in 2006, which included a \$614,732 Rural Utilities Service Grant. This fund remains in sound fiscal condition moving forward.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2006 amounted to \$7,467,938 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

*Village of Kingsley
Capital Assets as of February 28, 2006*

	Governmental Activities	Business-Type Activities	Total Primary Government
Land and Land Improvements	\$ 349,598	\$ 332,781	\$ 682,379
Infrastructure	1,060,332	0	1,060,332
Buildings	151,254	346,375	497,629
Machinery and Equipment	421,025	386,472	807,497
Office Equipment and Fixtures	22,445	16,000	38,445
Water and Sewer Systems	0	5,582,947	5,582,947
Construction in Progress	441,421	822,162	1,263,583
Subtotal	\$ 2,446,075	\$ 7,486,737	\$ 9,932,812
Accumulated Depreciation	(592,245)	(1,831,059)	(2,423,304)
Net Capital Assets	\$ 1,853,830	\$ 5,655,678	\$ 7,509,508

Major capital asset events during FY2005/2006 included the following:

- Construction of a new DPW building at a total cost of \$125,000 which is split equally between the General, Water and Sewer Funds.
- Street construction to Park Street totaling \$2,920.
- South Brownson Capital Projects Construction in progress \$176,494.
- Installed a playground water sprinkler at a cost of \$7,176.
- Water System Improvements \$46,925.
- Sewer System Improvements \$2,961,871.

VILLAGE OF KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

- Civic Center South Construction in progress \$264,927.
- The undepreciated net book value of the old lagoon sewage treatment system of \$389,371 was written off because it was rendered obsolete by the new treatment system which was placed in service this year.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements.

***Village of Kingsley Outstanding Debt
Contracts and Revenue Bonds
as of February 28, 2006***

	Governmental Activities	Business-Type Activities	Total Primary Government
Contracts and Notes	\$ 139,360	\$ 0	\$ 139,360
Revenue Bonds	0	1,656,000	1,656,000
Total	<u>\$ 139,360</u>	<u>\$ 1,656,000</u>	<u>\$ 1,795,360</u>

The Village issued new bonded debt in FY2005/2006, of \$250,000 and a note payable of \$125,000. The total debt increased from \$1,669,765 at February 29, 2005, to \$1,802,959 at February 28, 2006, a net increase of \$133,194. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Kingsley, P.O. Box 208, Kingsley, Michigan 49649, or call us at (231)263-7778.

VILLAGE OF KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 569,766	\$ 976,071	\$ 1,545,837	\$ 18,425
Investments	709,770	0	709,770	0
Receivables				
Taxes	1,567	0	1,567	164
Accounts	52,582	42,722	95,304	0
Rural Utilities Service Grant	0	66,600	66,600	0
Community Development Block Grant	0	144,260	144,260	0
Accrued Interest	6,577	0	6,577	0
Internal Balances	76	(76)	0	0
Due from Other Governments	74,693	0	74,693	92
Prepaid Expenses	9,987	9,510	19,497	0
Total Current Assets	\$ 1,425,018	\$ 1,239,087	\$ 2,664,105	\$ 18,681
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 349,598	\$ 332,781	\$ 682,379	\$ 0
Infrastructure	1,060,332	0	1,060,332	0
Buildings	151,254	346,375	497,629	0
Machinery and Equipment	421,025	386,472	807,497	0
Office Equipment and Fixtures	22,445	16,000	38,445	0
Water and Sewer Systems	0	5,582,947	5,582,947	0
Construction in Progress	441,421	822,162	1,263,583	0
	\$ 2,446,075	\$ 7,486,737	\$ 9,932,812	\$ 0
Less Accumulated Depreciation	592,245	1,831,059	2,423,304	0
Net Capital Assets	\$ 1,853,830	\$ 5,655,678	\$ 7,509,508	\$ 0
<u>OTHER ASSETS</u>				
Bond Issuance Costs	\$ 0	\$ 7,297	\$ 7,297	\$ 0
TOTAL ASSETS	\$ 3,278,848	\$ 6,902,062	\$ 10,180,910	\$ 18,681

The accompanying notes are an integral part of the financial statements.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL	BUSINESS		COMPONENT
	ACTIVITIES	TYPE	TOTALS	UNIT
<hr/>				
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 194,046	\$ 266,084	\$ 460,130	\$ 0
Retainage Payable	0	64,508	64,508	0
Customer Deposits	7,982	3,525	11,507	0
Accrued Expenditures	1,185	0	1,185	0
Due to Other Governments	835	0	835	6,234
Internal Balances	29,432	(29,432)	0	0
Accrued Interest Payable	0	22,332	22,332	0
Current Portion of Long-Term Debt	9,885	56,770	66,655	0
<hr/>				
Total Current Liabilities	\$ 243,365	\$ 383,787	\$ 627,152	\$ 6,234
<hr/>				
<u>LONG-TERM LIABILITIES</u>				
Revenue Bonds - Net of Current Portions	\$ 0	\$ 1,619,000	\$ 1,619,000	\$ 0
Notes Payable - Net of Current Portion	52,493	57,212	109,705	0
Accrued Compensated Absences	7,599	0	7,599	0
<hr/>				
Total Long-Term Liabilities	\$ 60,092	\$ 1,676,212	\$ 1,736,304	\$ 0
TOTAL LIABILITIES	\$ 303,457	\$ 2,059,999	\$ 2,363,456	\$ 6,234
<hr/> <hr/>				
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,791,452	\$ 3,835,856	\$ 5,627,308	\$ 0
Restricted for:				
Endowments	707,844	0	707,844	0
Civic Improvements	62,070	0	62,070	0
Unrestricted	414,025	1,006,207	1,420,232	12,447
<hr/>				
TOTAL NET ASSET	\$ 2,975,391	\$ 4,842,063	\$ 7,817,454	\$ 12,447

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS				
	EXPENSES	OPERATING		CAPITAL	PRIMARY GOVERNMENT			COMPONENT UNIT	
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
<u>PRIMARY GOVERNMENT</u>									
<u>GOVERNMENTAL ACTIVITIES</u>									
General Government	\$ 96,780	\$ 18,422	\$ 2,530	\$ 0	\$ (75,828)	\$ 0	\$ (75,828)	\$ 0	
Public Safety	6,921	1,359	0	0	(5,562)	0	(5,562)	0	
Public Works	291,575	0	99,102	0	(192,473)	0	(192,473)	0	
Planning	30,064	0	0	0	(30,064)	0	(30,064)	0	
Recreation and Culture	26,289	0	10,986	108,097	92,794	0	92,794	0	
Economic Development	0	0	6,213	170,281	176,494	0	176,494	0	
Other Functions	57,030	0	0	0	(57,030)	0	(57,030)	0	
Trust Fund Activities	5,000	0	0	0	(5,000)	0	(5,000)	0	
Total Governmental Activities	\$ 513,659	\$ 19,781	\$ 118,831	\$ 278,378	\$ (96,669)	\$ 0	\$ (96,669)	\$ 0	
<u>BUSINESS-TYPE ACTIVITIES</u>									
Water and Sewer Systems	\$ 798,504	\$ 517,003	\$ 0	\$ 1,225,606	\$ 0	\$ 944,105	\$ 944,105	\$ 0	
TOTAL PRIMARY GOVERNMENT	\$ 1,312,163	\$ 536,784	\$ 118,831	\$ 1,503,984	\$ (96,669)	\$ 944,105	\$ 847,436	\$ 0	
<u>COMPONENT UNIT</u>									
Non-Major Component Units	\$ 6,213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,213)	
<u>GENERAL REVENUES</u>									
Property Tax					\$ 217,699	\$ 0	\$ 217,699	\$ 11,674	
State Shared Revenue					138,101	0	138,101	0	
Investment Earnings					49,627	45,403	95,030	495	
Other					940	0	940	0	
Total General Revenues					\$ 406,367	\$ 45,403	\$ 451,770	\$ 12,169	
Change in Net Assets					\$ 309,698	\$ 989,508	\$ 1,299,206	\$ 5,956	
NET ASSETS - Beginning of Year					2,665,693	3,852,555	6,518,248	6,491	
NET ASSETS - End of Year					\$ 2,975,391	\$ 4,842,063	\$ 7,817,454	\$ 12,447	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
FEBRUARY 28, 2006

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, GAS AND MINERAL	TOTALS
<u>ASSETS</u>							
Cash	\$ 249,992	\$ 57,244	\$ 23,753	\$ 25,896	\$ 77,548	\$ 53,567	\$ 488,000
Investments	0	0	0	0	0	709,770	709,770
Receivables							
Taxes	1,567	0	0	0	0	0	1,567
Accounts	19,208	0	0	0	20,460	0	39,668
Accrued Interest	0	0	0	0	0	6,577	6,577
Due from Other Funds	29,822	0	1,000	0	0	0	30,822
Due from Other Governments	21	12,489	5,970	50,000	6,213	0	74,693
Prepaid Expenditures	6,355	0	0	0	0	0	6,355
TOTAL ASSETS	<u>\$ 306,965</u>	<u>\$ 69,733</u>	<u>\$ 30,723</u>	<u>\$ 75,896</u>	<u>\$ 104,221</u>	<u>\$ 769,914</u>	<u>\$ 1,357,452</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 50,034	\$ 14,047	\$ 16,791	\$ 33,533	\$ 74,475	\$ 0	\$ 188,880
Customer Deposits	7,982	0	0	0	0	0	7,982
Accrued Expenditures	1,185	0	0	0	0	0	1,185
Due to Other Funds	950	12,839	13,152	0	29,746	0	56,687
Due to Other Governments	835	0	0	0	0	0	835
Total Liabilities	<u>\$ 60,986</u>	<u>\$ 26,886</u>	<u>\$ 29,943</u>	<u>\$ 33,533</u>	<u>\$ 104,221</u>	<u>\$ 0</u>	<u>\$ 255,569</u>

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, GAS AND MINERAL	TOTALS
<u>FUND BALANCE</u>							
Reserved for:							
Endowments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 707,844	\$ 707,844
Civic Improvements	0	0	0	0	0	62,070	62,070
Prepaid Expenditures	6,355	0	0	0	0	0	6,355
Unreserved:							
Designated for:							
Street Improvements	0	42,847	780	0	0	0	43,627
Civic Improvements	0	0	0	42,363	0	0	42,363
Undesignated	239,624	0	0	0	0	0	239,624
Total Fund Balance	<u>\$ 245,979</u>	<u>\$ 42,847</u>	<u>\$ 780</u>	<u>\$ 42,363</u>	<u>\$ 0</u>	<u>\$ 769,914</u>	<u>\$ 1,101,883</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 306,965</u>	<u>\$ 69,733</u>	<u>\$ 30,723</u>	<u>\$ 75,896</u>	<u>\$ 104,221</u>	<u>\$ 769,914</u>	<u>\$ 1,357,452</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

Total Fund Balances for Governmental Funds	\$ 1,101,883
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 349,598	
Infrastructure	1,060,332	
Buildings	151,254	
Machinery and Equipment	125,123	
Office Equipment	22,445	
Construction in Progress	441,421	
Accumulated Depreciation and Amortization	<u>(411,797)</u>	1,738,376

Internal service funds are used by management to charge costs of Village maintenance equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	205,109
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Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Notes Payable	(62,378)	
Compensated Absences	<u>(7,599)</u>	<u>(69,977)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,975,391</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2006

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, MINERAL AND GAS	TOTALS
<u>REVENUES</u>							
Taxes	\$ 217,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 217,699
Licenses and Permits	12,156	0	0	0	0	0	12,156
Federal Grants	0	0	0	0	170,281	0	170,281
State Grants	133,248	69,209	34,746	108,097	0	0	345,300
Contributions from Local Units	0	0	0	6,500	6,213	0	12,713
Interest and Rents	15,597	1,273	449	2,625	0	37,308	57,252
Other Revenue	107,194	0	0	7,466	0		114,660
Total Revenues	\$ 485,894	\$ 70,482	\$ 35,195	\$ 124,688	\$ 176,494	\$ 37,308	\$ 930,061
<u>EXPENDITURES</u>							
Legislative	\$ 15,230	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,230
General Government	216,113	0	0	0	0	0	216,113
Public Safety	6,921	0	0	0	0	0	6,921
Public Works	188,390	48,531	43,122	0	0	0	280,043
Planning	30,064	0	0	0	0	0	30,064
Recreation and Culture	2,500	0	0	291,622	0	0	294,122
Economic Development	0	0	0	0	176,494	0	176,494
Other Functions	111,768	0	0	0	0	0	111,768
Trust Fund Activities	0	0	0	0	0	5,000	5,000
Total Expenditures	\$ 570,986	\$ 48,531	\$ 43,122	\$ 291,622	\$ 176,494	\$ 5,000	\$ 1,135,755
Excess (Deficiency) of Revenues Over Expenditures	\$ (85,092)	\$ 21,951	\$ (7,927)	\$ (166,934)	\$ 0	\$ 32,308	\$ (205,694)

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	RECREATIONAL COMPLEX	SOUTH BROWNSON	OIL, MINERAL AND GAS	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>							
Loan Proceeds	\$ 41,667	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,667
Transfers In	0	0	8,500	92,500	0	0	101,000
Transfers Out	(17,500)	(8,500)	0	0	0	(75,000)	(101,000)
Total Other Financing Sources (Uses)	\$ 24,167	\$ (8,500)	\$ 8,500	\$ 92,500	\$ 0	\$ (75,000)	\$ 41,667
Net Change in Fund Balance	\$ (60,925)	\$ 13,451	\$ 573	\$ (74,434)	\$ 0	\$ (42,692)	\$ (164,027)
<u>FUND BALANCE</u> - Beginning of Year	306,904	29,396	207	116,797	0	812,606	1,265,910
<u>FUND BALANCE</u> - End of Year	\$ 245,979	\$ 42,847	\$ 780	\$ 42,363	\$ 0	\$ 769,914	\$ 1,101,883

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

Net change in Fund Balance - Total Governmental Funds			\$ (164,027)
Amounts reported for governmental activities are different because:			
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.			
Depreciation Expense		\$ (42,795)	
Capital Outlay		<u>493,184</u>	450,389
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).			
			54,738
Loan proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets			
			(41,667)
Employees compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds.			
Compensated Absences - Beginning of Year		\$ 7,316	
Compensated Absences - End of Year		<u>(7,599)</u>	(283)
Internal service funds are used by management to charge costs of the motor pool, to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.			
			<u>10,548</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u><u>\$ 309,698</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 365,772	\$ 610,299	\$ 976,071	\$ 20,335
Receivables				
Accounts	8,774	33,948	42,722	3,212
Community Development Block Grant	144,260	0	144,260	0
Rural Utilities Service Grant	0	66,600	66,600	0
Due from Other Funds	7,038	24,991	32,029	0
Prepaid Expense	1,014	8,496	9,510	903
Total Current Assets	\$ 526,858	\$ 744,334	\$ 1,271,192	\$ 24,450
<u>NONCURRENT ASSETS</u>				
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 22,038	\$ 310,743	\$ 332,781	\$ 0
Buildings and Improvements	37,521	308,854	346,375	0
Water and Sewer Systems	1,277,038	4,305,909	5,582,947	0
Machinery and Equipment	1,064	385,408	386,472	73,590
Furniture and Fixtures	0	16,000	16,000	0
Construction Work In Progress	822,162	0	822,162	0
	\$ 2,159,823	\$ 5,326,914	\$ 7,486,737	\$ 73,590
Less Accumulated Depreciation	575,258	1,255,801	1,831,059	44,877
Net Capital Assets	\$ 1,584,565	\$ 4,071,113	\$ 5,655,678	\$ 28,713
<u>OTHER ASSETS</u>				
Bond Issuance Costs	\$ 7,297	\$ 0	\$ 7,297	\$ 0
TOTAL ASSETS	\$ 2,118,720	\$ 4,815,447	\$ 6,934,167	\$ 53,163

The accompanying notes are an integral part of the financial statements.

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 175,135	\$ 90,949	\$ 266,084	\$ 1,285
Construction Contract Retainage	64,508	0	64,508	0
Customer Deposits	3,525	0	3,525	0
Due to Other Funds	0	6,164	6,164	0
Bonds Payable - Current	25,000	12,000	37,000	0
Installment Purchase Agreement - Current	9,885	9,885	19,770	0
Accrued Interest Payable	4,634	17,698	22,332	0
Total Current Liabilities	\$ 282,687	\$ 136,696	\$ 419,383	\$ 1,285
<u>LONG-TERM LIABILITIES - Net of Current Portion</u>				
Revenue Bonds	\$ 420,000	\$ 1,199,000	\$ 1,619,000	\$ 0
Installment Purchase Agreement	28,606	28,606	57,212	0
Total Long-Term Liabilities	\$ 448,606	\$ 1,227,606	\$ 1,676,212	\$ 0
TOTAL LIABILITIES	\$ 731,293	\$ 1,364,302	\$ 2,095,595	\$ 1,285
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 1,036,566	\$ 2,821,622	\$ 3,858,188	\$ 28,713
Unrestricted	350,861	629,523	980,384	23,165
TOTAL NET ASSETS	\$ 1,387,427	\$ 3,451,145	\$ 4,838,572	\$ 51,878

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

Total Net Assets - Total Proprietary Funds	\$ 4,838,572
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Amounts reported for proprietary activities in the statement of
net assets are different because:

Internal service funds are used by management to charge costs of
equipment rental to individual funds. The assets and liabilities
of the internal service funds are allocated to business type activities
This creates an internal balance referred to as the crossover amount
which needs to be adjusted for.

3,491

NET ASSETS OF PROPRIETARY FUNDS	<u>\$ 4,842,063</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2006

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>OPERATING REVENUES</u>				
Operating Revenues	\$ 187,243	\$ 284,420	\$ 471,663	\$ 71,116
<u>OPERATING EXPENSES</u>				
Salaries and Wages	\$ 40,850	\$ 21,996	\$ 62,846	\$ 13,720
Workers' Compensation	1,238	0	1,238	499
Contracted Services	1,065	69,750	70,815	0
Operating Supplies	8,432	627	9,059	7,385
Meters	2,801	0	2,801	0
Postage and Office Supplies	1,607	4,297	5,904	229
Bank Service Charges	915	1,325	2,240	0
Professional Services	1,437	4,029	5,466	500
Legal Fees	0	360	360	0
Permits and Fees	0	5,699	5,699	0
Communications	348	0	348	962
Printing and Publishing	3,502	601	4,103	0
Insurance and Bonds	3,748	5,087	8,835	5,097
Utilities	11,107	27,393	38,500	0
Repairs and Maintenance	259	802	1,061	7,878
Equipment Rental	10,086	5,751	15,837	0
Testing	1,940	0	1,940	0
Dues	1,526	94	1,620	0
Miscellaneous	0	1,804	1,804	0
Amortization	0	0	0	291
Depreciation	31,668	100,017	131,685	22,009
Total Operating Expenses	\$ 122,529	\$ 249,632	\$ 372,161	\$ 58,570
Operating Income (Loss)	\$ 64,714	\$ 34,788	\$ 99,502	\$ 12,546
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Wellhead Protection Grant	\$ 15,300	\$ 0	\$ 15,300	\$ 0
Interest Income	6,216	19,987	26,203	1,494
Interest Expense	(15,044)	(25,419)	(40,463)	0
User Contributions	20,400	24,940	45,340	0
Lease Income	0	19,200	19,200	0
Write Off of Abandoned Lagoon Treatment System	0	(389,371)	(389,371)	0
Total Nonoperating Revenues (Expenses)	\$ 26,872	\$ (350,663)	\$ (323,791)	\$ 1,494
Net Income (Loss)	\$ 91,586	\$ (315,875)	\$ (224,289)	\$ 14,040
Community Development Block Grant	595,574	0	595,574	
Rural Utilities Service Grant	0	614,732	614,732	0
Change in Net Assets	\$ 687,160	\$ 298,857	\$ 986,017	\$ 14,040
<u>TOTAL NET ASSETS</u> - Beginning of Year	700,267	3,152,288	3,852,555	194,560
<u>TOTAL NET ASSETS</u> -End of Year	\$ 1,387,427	\$ 3,451,145	\$ 4,838,572	\$ 208,600

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

Net Change in Fund Net Assets - Total Proprietary Funds	\$ 986,017
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Amounts reported for proprietary activities in the statement of activities are different because:

Internal service funds are used by management to charge costs of the motor pool to individual funds. The net revenue (expense) of internal service fund is reported with governmental type activities. This creates an internal balance referred to as the crossover amount that needs to be adjusted for.

3,491

CHANGE IN NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ 989,508</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2006

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 186,741	\$ 279,712	\$ 466,453	\$ 0
Cash Received from Interfund Services Provided	0	0	0	58,202
Cash Payments to Suppliers for Goods and Services	(93,959)	(155,861)	(249,820)	(38,976)
Net Cash Provided by (Used for) Operating Activities	\$ 92,782	\$ 123,851	\$ 216,633	\$ 19,226
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	\$ (657,546)	\$ (888,216)	\$ (1,545,762)	\$ 0
Bond Proceeds	250,000	0	250,000	0
Loan Proceeds	41,666	41,666	83,332	0
Grant Proceeds	466,614	769,800	1,236,414	0
User Contributions	20,400	23,690	44,090	0
Principal Paid on Bonds	(25,000)	(156,000)	(181,000)	0
Principal Paid on Installment Loans	(3,175)	(3,175)	(6,350)	0
Interest Paid on Bonds	(15,482)	(55,894)	(71,376)	0
Interest Paid on Installment Loans	(624)	(624)	(1,248)	0
Lease Income	0	19,200	19,200	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ 76,853	\$ (249,553)	\$ (172,700)	\$ 0
Cash Flows from Investing Activities				
Interest Income	\$ 6,216	\$ 19,987	\$ 26,203	\$ 1,494
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 175,851	\$ (105,715)	\$ 70,136	\$ 20,720
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	\$ 189,921	\$ 716,014	\$ 905,935	\$ 61,046
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 365,772	\$ 610,299	\$ 976,071	\$ 81,766

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>RECONCILIATION OF OPERATING INCOME</u>				
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 64,714	\$ 34,788	\$ 99,502	\$ 12,546
Adjustments to Reconcile Operating Income to Net				
Cash Provided by Operating Activities:				
Depreciation and Amortization	\$ 31,668	\$ 100,017	\$ 131,685	\$ 22,301
(Increase) Decrease in Current Assets				
Accounts Receivable	6,516	(3,473)	3,043	(12,914)
Prepaid Expenses	(1,014)	444	(570)	125
Due from Other Funds	(7,018)	7,435	417	0
Increase (Decrease) in Current Liabilities				
Accounts Payable	131,485	(19,874)	111,611	(567)
Retainage Payable	64,508	0	64,508	0
Customer Deposits	1,055	0	1,055	0
Due to Other Funds	(11,214)	4,514	(6,700)	(2,265)
Total Adjustments	\$ 215,986	\$ 89,063	\$ 305,049	\$ 6,680
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 280,700	\$ 123,851	\$ 404,551	\$ 19,226

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
COMPONENT UNIT

STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
<u>ASSETS</u>	
Cash	\$ 18,425
Receivables	
Taxes	164
Due from Other Governments	92
Total Current Assets	<u>\$ 18,681</u>
<u>LIABILITIES</u>	
Due to Other Governments	\$ 6,234
<u>EQUITY</u>	
Net Assets:	
Unrestricted	<u>12,447</u>
TOTAL NET ASSETS AND LIABILITIES	<u><u>\$ 18,681</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN
COMPONENT UNIT

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

PROGRAM REVENUES

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTALS
<u>Nonmajor Component Unit</u>				
<u>Downtown Development Authority</u>	\$ 6,213	\$ 0	\$ 0	\$ (6,213)

GENERAL REVENUES

Property Tax	\$ 11,674
Unrestricted Investment Earnings	<u>495</u>
Total General Revenues	<u>\$ 12,169</u>
Change in Net Assets	\$ 5,956
NET ASSETS - Beginning of Year	<u>6,491</u>
NET ASSETS - End of Year	<u><u>\$ 12,447</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Kingsley, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has one component unit, the Downtown Development Authority.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

The Village of Kingsley reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Recreation Complex Capital Project Fund* and the *South Brownson Capital Projects Fund* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Oil, Gas and Mineral Trust Fund* is a *permanent fund* and uses the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

The Village of Kingsley reports the following major proprietary funds:

The *Water Fund* and *Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the Village's sanitary sewer system.

Additionally the Village of Kingsley reports the following fund types:

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and of the Village's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes.

Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after August 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of the Village of Kingsley totaled \$311,426,907, on which ad valorem taxes levied consisted of 10.0558 mills for the Village of Kingsley operating purposes.

3. Inventories and Prepaid Items

Inventories are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Infrastructure	50
Land Improvements	20
Machinery and Equipment	5-10
Office Equipment and Fixtures	5-10
Water and Sewer Systems	30-50

5. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
4. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
5. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year.
6. Encumbrance accounting is not employed in governmental funds.

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Culture and Recreation	\$ 0	\$ 2,500
Recreation Complex Capital Project Fund		
Recreation and Culture	213,000	291,622
South Brownson Capital Projects Fund		
Economic Development	0	176,494

No budget was adopted for the Oil, Gas and Mineral Trust Fund.

These overages were funded by greater than anticipated revenues or beginning fund balance.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Village's deposits and investments are on deposit with various institutions.

Investment rate risk. The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirements.

Foreign currency risk. The Village does not have a policy on this type of risk.

Credit risk. The Village will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Village will do business in accordance with the Village's investment policy.

Concentration of credit risk. The Village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of February 28, 2006, \$1,049,059 of the Village's balance of \$1,547,986 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the same date the discretely presented component unit's had no exposure to custodial credit risk because all of the bank balance of \$18,425 was insured.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Village's investments in U.S. Government Securities, Corporate Bonds and Notes, Stocks and Government Notes, totaling \$709,770 have custodial credit risk exposure because they are uninsured, and unregistered and the securities are held by brokers in the Village's name.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

As of February 28, 2006, the Village had the following investments:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Investments - Primary Government		
U.S. Government		
Securities	\$ 659,699	\$ 659,699
Mutual Funds	50,071	50,071
	<u>\$ 709,770</u>	<u>\$ 709,770</u>

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
Cash on Hand	\$ 50	\$ 0
Carrying amount of Deposits	1,545,787	18,425
Carrying amount of Investment	<u>709,770</u>	<u>0</u>
Total	<u>\$ 2,255,607</u>	<u>\$ 18,425</u>
Government-wide Statement of Net Assets		
Cash	\$ 1,545,837	\$ 0
Investments	709,770	0
Statement of Fiduciary Net Assets		
Cash	<u>0</u>	<u>18,425</u>
Total	<u>\$ 2,255,607</u>	<u>\$ 18,425</u>

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

	General	Oil, Gas and Mineral Trust	South Brownson	Water	Sewer	Equipment	Total
Receivables							
Taxes	\$ 1,567	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,567
Accounts	19,208	0	20,460	8,774	33,948	12,914	95,304
Community Development							
Block Grant Receivable	0	0	0	144,260	0	0	144,260
Rural Utilities Service							
Grant Receivable	0	0	0	0	66,600	0	66,600
Accrued Interest	0	6,577	0	0	0	0	6,577
Receivables	<u>\$20,775</u>	<u>\$ 6,577</u>	<u>\$ 20,460</u>	<u>\$153,034</u>	<u>\$100,548</u>	<u>\$ 12,914</u>	<u>\$314,308</u>

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 38,329	\$ 0	\$ 0	\$ 38,329
Construction in Progress	0	441,421	0	441,421
Total Capital Assets, not being depreciated	\$ 38,329	\$ 441,421	\$ 0	\$ 479,750
Capital assets, being depreciated				
Buildings	\$ 109,587	\$ 41,667	\$ 0	\$ 151,254
Land Improvements	311,269	0	0	311,269
Machinery and Equipment	117,947	7,176	0	125,123
Office Equipment	22,445	0	0	22,445
Infrastructure	1,057,412	2,920	0	1,060,332
Total capital assets, being depreciated	\$ 1,618,660	\$ 51,763	\$ 0	\$ 1,670,423
Less accumulated depreciation for:				
Buildings	\$ 30,434	\$ 2,692	\$ 0	\$ 33,126
Land Improvements	77,221	14,296	0	91,517
Machinery and Equipment	78,226	3,969	0	82,195
Office Equipment and Fixtures	20,503	651	0	21,154
Infrastructure	162,618	21,187	0	183,805
Total accumulated depreciation	\$ 369,002	\$ 42,795	\$ 0	\$ 411,797
Total capital assets, being depreciated, net	\$ 1,249,658	\$ 8,968	\$ 0	\$ 1,258,626
Governmental activities capital assets, net	\$ 1,287,987	\$ 450,389	\$ 0	\$ 1,738,376
Internal Service Fund net capital assets	\$ 98,011	\$ 17,443	\$ 0	115,454
Net Capital Assets per Statement of Net Assets				<u>\$ 1,853,830</u>

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 239,299	\$ 5,257	\$ 0	\$ 244,556
Construction in Progress	2,194,653	0	1,372,491	822,162
Total capital assets, not being depreciated	<u>\$ 2,433,952</u>	<u>\$ 5,257</u>	<u>\$1,372,491</u>	<u>\$ 1,066,718</u>
Capital assets, being depreciated				
Buildings	\$ 0	\$ 346,375	\$ 0	\$ 346,375
Water and Sewer Systems	4,215,595	2,356,636	989,284	5,582,947
Land Improvements	18,005	70,220	0	88,225
Machinery and Equipment	192,095	206,555	12,178	386,472
Furniture and Fixtures	0	16,000	0	16,000
Total capital assets, being depreciated	<u>\$ 4,425,695</u>	<u>\$2,995,786</u>	<u>\$1,001,462</u>	<u>\$ 6,420,019</u>
Less accumulated depreciation				
Buildings	\$ 0	\$ 1,693	\$ 0	\$ 1,693
Water and Sewer Systems	2,143,619	110,527	599,913	1,654,233
Land Improvements	18,005	448	0	18,453
Machinery and Equipment	149,841	18,573	12,178	156,236
Furniture and Fixtures	0	444	0	444
Total capital assets, being depreciated	<u>\$ 2,311,465</u>	<u>\$ 131,685</u>	<u>\$ 612,091</u>	<u>\$ 1,831,059</u>
Total capital assets, being depreciated, net	<u>\$ 2,114,230</u>	<u>\$2,864,101</u>	<u>\$ 389,371</u>	<u>\$ 4,588,960</u>
Business-type activities net capital assets	<u>\$ 4,548,182</u>	<u>\$2,869,358</u>	<u>\$1,761,862</u>	<u>\$ 5,655,678</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 17,241
Public Works	21,284
Recreation and Culture	4,270
Total depreciation expense - governmental activities	<u>\$ 42,795</u>

Business-type activities

Water and Sewer	<u>\$ 131,685</u>
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VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

The net book value of the old lagoon sewage treatment system totaling \$389,371 was written off because it was rendered obsolete by the new treatment facility that was placed in service this year.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 29,822	\$ 950
Special Revenue Funds		
Major Street Fund	0	12,839
Local Street Fund	1,000	13,152
Capital Projects Fund		
South Brownson Capital Projects Fund	0	29,746
Enterprise Funds		
Water Fund	7,038	0
Sewer Fund	24,991	6,164
	<u>\$ 62,851</u>	<u>\$ 62,851</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2006, are expected to be repaid within one year.

Interfund Transfers as of February 28, 2006, were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
Primary Government		
General Fund	\$ 0	\$ 17,500
Major Street Fund	0	8,500
Local Street Fund	8,500	0
Recreational Complex Capital Project Fund	92,500	0
Oil, Gas and Mineral Trust Fund	0	75,000
	<u>\$101,000</u>	<u>\$101,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Kingsley for the year ended February 28, 2006:

Governmental Activities:

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENTS	COMPENSATED ABSENCES	TOTAL
Debt Payable at March 1, 2005	\$1,587,000	\$ 75,449	\$ 7,316	\$1,669,765
New Debt Incurred	250,000	125,000	283	375,283
Debt Retired	181,000	61,089	0	242,089
Debt Payable at February 28, 2006	<u>\$1,656,000</u>	<u>\$ 139,360</u>	<u>\$ 7,599</u>	<u>\$1,802,959</u>
Due within one year	<u>\$ 37,000</u>	<u>\$ 29,655</u>	<u>\$ 0</u>	<u>\$ 66,655</u>

Debt payable at February 28, 2006 is comprised of the following individual issues:

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

Revenue Bonds:

\$410,000 Water Revenue Bonds due in annual installments of \$25,000 to \$30,000 through October 1, 2012; plus interest at 6.10% to 6.30%	\$ 195,000
\$1,222,000 Junior Lien Sewer Revenue Bonds, due in annual installments of \$12,000 to \$65,000 through May 1, 2044; plus interest at 4.375%.	1,211,000
\$250,000 Junior Lien Water Revenue Bonds due in annual installments of \$5,000 to \$20,000 through October 1, 2024; plus interest at 3.35% to 5.00%	250,000

Installment Purchase Agreements:

\$135,800 Streetscape Installment Purchase Agreement payable in monthly installments of \$2,070 including interest at 4.69%. The Village has been paying an extra \$2,100 per month on the principal.	23,888
\$125,000 Department of Public Works Installment Agreement payable in annual installments of \$2,850 including interest at 4.40%.	115,472

Other Long-Term Debt

Accumulated sick pay owed to Village employees	7,599
	<u>\$ 1,802,959</u>

The annual requirements to amortize these debts outstanding other than compensated absences as of February 28, 2006, including interest payments of \$1,625,668, are as follows:

YEAR ENDING FEBRUARY 28,	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENTS	TOTAL
2007			
PRINCIPAL	\$ 37,000	\$ 53,544	\$ 90,544
INTEREST	75,911	5,141	81,052
TOTAL	\$ 112,911	\$ 58,685	\$ 171,596
2008			
PRINCIPAL	\$ 37,000	\$ 31,006	\$ 68,006
INTEREST	73,860	3,194	77,054
TOTAL	\$ 110,860	\$ 34,200	\$ 145,060
2009			
PRINCIPAL	\$ 38,000	\$ 32,411	\$ 70,411
INTEREST	71,775	1,789	73,564
TOTAL	\$ 109,775	\$ 34,200	\$ 143,975

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

YEAR ENDING FEBRUARY 28,	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
2010			
PRINCIPAL	\$ 49,000	\$ 22,399	\$ 71,399
INTEREST	69,636	371	70,007
TOTAL	\$ 118,636	\$ 22,770	\$ 141,406
2011			
PRINCIPAL	\$ 49,000	\$ 0	\$ 49,000
INTEREST	66,980	0	66,980
TOTAL	\$ 115,980	\$ 0	\$ 115,980
2012-2016			
PRINCIPAL	\$ 202,000	\$ 0	\$ 202,000
INTEREST	298,066	0	298,066
TOTAL	\$ 500,066	\$ 0	\$ 500,066
2017-2021			
PRINCIPAL	\$ 201,000	\$ 0	\$ 201,000
INTEREST	254,863	0	254,863
TOTAL	\$ 455,863	\$ 0	\$ 455,863
2022-2026			
PRINCIPAL	\$ 205,000	\$ 0	\$ 205,000
INTEREST	207,225	0	207,225
TOTAL	\$ 412,225	\$ 0	\$ 412,225
2027-2031			
PRINCIPAL	\$ 157,000	\$ 0	\$ 157,000
INTEREST	166,712	0	166,712
TOTAL	\$ 323,712	\$ 0	\$ 323,712
2032-2036			
PRINCIPAL	\$ 196,000	\$ 0	\$ 196,000
INTEREST	128,318	0	128,318
TOTAL	\$ 324,318	\$ 0	\$ 324,318
2037-2041			
PRINCIPAL	\$ 245,000	\$ 0	\$ 245,000
INTEREST	80,171	0	80,171
TOTAL	\$ 325,171	\$ 0	\$ 325,171
2042-2044			
PRINCIPAL	\$ 240,000	\$ 0	\$ 240,000
INTEREST	21,656	0	21,656
TOTAL	\$ 261,656	\$ 0	\$ 261,656

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
GRAND TOTAL			
PRINCIPAL	\$ 1,656,000	\$ 139,360	\$ 1,795,360
INTEREST	1,515,173	10,495	1,625,668
TOTAL	\$ 3,171,173	\$ 149,855	\$ 3,421,028

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Village participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and worker's disability compensation. The pools are considered public entity risk pools. The Village pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Village has not been informed to any special assessments being required for the current year or the three prior years.

The Village continued to carry commercial insurance for other risks of loss, including employee health and accident insurance.

B. Construction Commitments

The Village is involved in three active capital improvement projects. These projects have construction contract commitments as follows:

South Brownson Avenue	\$ 660,100
Civic Center South	56,718
Elevated Water Tower	<u>309,214</u>
	<u>\$1,026,032</u>

These will be funded by grants and bond proceeds.

VILLAGE OF KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

C. Retirement Benefits

Retirement benefits are provided to full-time Village employees through contributions to individual retirement accounts. Such contributions equal five percent of each employee's base pay. Individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which would be included as part of the Village reporting entity. Covered wages were \$118,066 and total wages were \$192,562.

VILLAGE OF KINGSLEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND			RECREATIONAL COMPLEX CAPITAL PROJECT FUND			SOUTH BROWNSON CAPITAL PROJECTS FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Taxes	\$ 200,500	\$ 200,500	\$ 217,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	4,500	4,600	12,156	0	0	0	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	170,281
State Grants	145,000	145,000	133,248	65,000	65,000	69,209	38,000	38,000	34,746	0	0	108,097	0	0	0
Contributions from Local Units	0	0	0	0	0	0	0	0	0	0	0	6,500	0	0	6,213
Interest and Rents	4,000	4,000	15,597	300	300	1,273	80	80	449	0	0	2,625	0	0	0
Other Revenue	104,000	104,000	107,194	0	0	0	0	0	0	0	0	7,466	0	0	0
Total Revenues	\$ 458,000	\$ 458,100	\$ 485,894	\$ 65,300	\$ 65,300	\$ 70,482	\$ 38,080	\$ 38,080	\$ 35,195	\$ 0	\$ 0	\$ 124,688	\$ 0	\$ 0	\$ 176,494
Legislative	\$ 25,000	\$ 25,000	\$ 15,230	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	220,500	220,500	216,113	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	7,500	15,000	6,921	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	227,000	227,000	188,390	99,800	99,800	48,531	65,580	65,580	43,122	0	0	0	0	0	0
Planning	40,000	40,000	30,064	0	0	0	0	0	0	0	0	0	0	0	0
Recreation and Culture	0	0	2,500	0	0	0	0	0	0	213,000	213,000	291,622	0	0	0
Economic Development	150,000	150,000	0	0	0	0	0	0	0	0	0	0	0	0	176,494
Other Functions	151,500	151,500	111,768	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$ 821,500	\$ 829,000	\$ 570,986	\$ 99,800	\$ 99,800	\$ 48,531	\$ 65,580	\$ 65,580	\$ 43,122	\$ 213,000	\$ 213,000	\$ 291,622	\$ 0	\$ 0	\$ 176,494
Excess (Deficiency) of Revenues Over Expenditures	\$ (363,500)	\$ (370,900)	\$ (85,092)	\$ (34,500)	\$ (34,500)	\$ 21,951	\$ (27,500)	\$ (27,500)	\$ (7,927)	\$ (213,000)	\$ (213,000)	\$ (166,934)	\$ 0	\$ 0	\$ 0
Loan Proceeds	\$ 0	\$ 0	\$ 41,667	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	7,500	7,500	8,500	95,000	95,000	92,500	0	0	0
Transfers Out	(55,000)	(20,000)	(17,500)	(7,500)	(7,500)	(8,500)	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ (55,000)	\$ (20,000)	\$ 24,167	\$ (7,500)	\$ (7,500)	\$ (8,500)	\$ 7,500	\$ 7,500	\$ 8,500	\$ 95,000	\$ 95,000	\$ 92,500	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (418,500)	\$ (390,900)	\$ (60,925)	\$ (42,000)	\$ (42,000)	\$ 13,451	\$ (20,000)	\$ (20,000)	\$ 573	\$ (118,000)	\$ (118,000)	\$ (74,434)	\$ 0	\$ 0	\$ 0
FUND BALANCE - Beginning of Year	418,500	398,500	306,904	42,000	42,000	29,396	20,000	20,000	207	118,000	118,000	116,797	0	0	0
FUND BALANCE - End of Year	\$ 0	\$ 7,600	\$ 245,979	\$ 0	\$ 0	\$ 42,847	\$ 0	\$ 0	\$ 780	\$ 0	\$ 0	\$ 42,363	\$ 0	\$ 0	\$ 0

VILLAGE OF KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
DOWNTOWN DEVELOPMENT AUTHORITY FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>ASSETS</u>	2006	2005
Cash			
Checking Account		\$ 8,329	\$ 5,969
Certificates of Deposit		10,096	0
Receivables			
Taxes		164	522
Due from Other Governments		92	0
TOTAL ASSETS		<u>\$ 18,681</u>	<u>\$ 6,491</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Due to Other Governments		\$ 6,234	\$ 0
Deferred Revenue		0	212
TOTAL LIABILITIES		\$ 6,234	\$ 212
<u>FUND BALANCE</u>			
Unreserved		12,447	6,279
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 18,681</u>	<u>\$ 6,491</u>

VILLAGE OF KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
DOWNTOWN DEVELOPMENT AUTHORITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

<u>REVENUES</u>	2006	2005
Taxes		
Property Taxes	\$ 11,886	\$ 6,274
Interest and Rents		
Interest	495	5
Total Revenues	\$ 12,381	\$ 6,279
<u>EXPENDITURES</u>		
Intergovernmental Expenditures	\$ 6,213	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,168	\$ 6,279
<u>FUND BALANCE</u> - Beginning of Year	6,279	0
<u>FUND BALANCE</u> - End of Year	\$ 12,447	\$ 6,279

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

ASSETS

	<u>2006</u>	<u>2005</u>
Cash		
Checking Account	\$ 79,165	\$ 154,826
Savings Accounts	170,777	175,878
Imprest (Petty)	50	50
Receivables		
Taxes	1,567	1,255
Accounts	19,208	12,564
Due from Other Governments	21	26,255
Due from Other Funds		
South Brownson Capital Projects	29,746	1,608
Sewer Fund	76	1,650
Water Fund	0	3,779
Equipment Fund	0	2,265
Prepaid Expenditures	6,355	6,146
TOTAL ASSETS	<u>\$ 306,965</u>	<u>\$ 386,276</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 50,034	\$ 38,116
Due to Other Funds		
Local Street Fund	0	1,000
Water Fund	950	20
Due to Other Governments	835	840
Customer Deposits	7,982	27,191
Payroll Deductions Payable	0	3,972
Accrued Wages	1,185	1,900
Accrued Retirement Benefits	0	4,318
Accrued Taxes Payable	0	2,015
Total Liabilities	<u>\$ 60,986</u>	<u>\$ 79,372</u>

FUND BALANCE

Reserved for:		
Prepaid Expenditures	\$ 6,355	\$ 6,146
Unreserved	239,624	300,758
Total Fund Balance	<u>\$ 245,979</u>	<u>\$ 306,904</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 306,965</u>	<u>\$ 386,276</u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

<u>REVENUES</u>	2006	2005
Taxes	\$ 217,699	\$ 202,996
Licenses and Permits	12,156	4,499
State Grants	133,248	134,558
Interest and Rents	15,597	5,089
Other Revenues	107,194	122,255
Total Revenues	<u>\$ 485,894</u>	<u>\$ 469,397</u>
<u>EXPENDITURES</u>		
Legislative	\$ 15,230	\$ 19,043
General Government	216,113	264,406
Public Safety	6,921	7,906
Public Works	188,390	89,970
Planning	30,064	6,742
Recreation and Cultural	2,500	36,223
Other Functions	111,768	88,687
Total Expenditures	<u>\$ 570,986</u>	<u>\$ 512,977</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (85,092)</u>	<u>\$ (43,580)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Loan Proceeds	\$ 41,667	\$ 0
Transfers Out	(17,500)	(31,000)
Total Other Financing Sources (Uses)	<u>\$ 24,167</u>	<u>\$ (31,000)</u>
Net Change in Fund Balance	<u>\$ (60,925)</u>	<u>\$ (74,580)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>306,904</u>	<u>381,484</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 245,979</u>	<u>\$ 306,904</u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>TAXES</u>		
Current Property Tax	\$ 215,019	\$ 201,262
Delinquent Property Tax	673	661
Property Tax Administration Fee	1,107	1,022
Trailer Park Fees	839	0
Penalties and Interest	61	51
Total Taxes	<u>\$ 217,699</u>	<u>\$ 202,996</u>
 <u>LICENSES AND PERMITS</u>		
Land Use Permits	\$ 1,359	\$ 550
Franchise Fees	10,797	3,949
Total Licenses and Permits	<u>\$ 12,156</u>	<u>\$ 4,499</u>
 <u>STATE GRANTS</u>		
Sales Tax	<u>\$ 133,248</u>	<u>\$ 134,558</u>
 <u>INTEREST AND RENTS</u>		
Interest	\$ 7,972	\$ 5,089
Tower Rent	7,625	0
Total Interest and Rents	<u>\$ 15,597</u>	<u>\$ 5,089</u>
 <u>OTHER REVENUE</u>		
Wage Reimbursements	\$ 106,704	\$ 118,514
Ordinances	0	435
Refunds and Miscellaneous	490	3,306
Total Other Revenue	<u>\$ 107,194</u>	<u>\$ 122,255</u>
 TOTAL REVENUES	<u><u>\$ 485,894</u></u>	<u><u>\$ 469,397</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>LEGISLATIVE</u>		
Village Council		
Salaries and Wages		
Council	\$ 6,306	\$ 7,806
Office Supplies	112	2,561
Membership and Dues	3,542	1,259
Professional Services	50	2,978
Contracted Services	1,950	2,064
Repairs and Maintenance	200	0
Printing and Publishing	2,460	692
Education and Training	0	885
Miscellaneous	610	798
Total Legislative	<u>\$ 15,230</u>	<u>\$ 19,043</u>
 <u>GENERAL GOVERNMENT</u>		
Manager		
Salaries and Wages	\$ 57,176	\$ 54,505
Office Supplies	78	229
Professional Services	0	100
Communications	0	46
Transportation	889	873
Printing and Publishing	94	422
Repairs and Maintenance	0	15
Dues and Fees	50	618
Education and Training	159	224
Miscellaneous	0	119
Elections		
Salaries and Wages	0	481
Printing and Publishing	0	209
Education and Training	0	12
Independent Audit		
Professional Services	4,850	2,500
Attorney		
Legal Fees	16,772	11,661

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
Village Clerk's Office		
Salaries and Wages	27,256	20,962
Office Supplies	3,066	4,512
Postage	1,390	2,173
Operating Supplies	55	1,979
Professional Fees	86	0
Transportation	48	193
Printing and Publishing	268	62
Rentals	0	36
Miscellaneous	0	27
Dues and Fees	146	102
Education and Training	0	75
Downtown Development Authority		
Supplies	59	61
Professional Services	1,250	4,784
Contracted Services	0	109
Transportation	0	67
Printing and Publishing	564	0
Education and Training	20	36
Dues and Fees	50	155
Treasurer's Office		
Salaries and Wages	1,893	3,320
Office Supplies	280	417
Contracted Services	315	390
Transportation	0	67
Printing and Publishing	0	37
Dues and Fees	35	542
Education and Training	0	357
Buildings and Grounds - Village Hall		
Salaries and Wages	0	95,086
Office Supplies	1,623	3,713
Operating Supplies	313	2,620
Professional Fees	12,654	1,103
Contracted Services	2,257	7,180

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	2006	2005
Communications	6,085	5,386
Utilities	7,109	12,097
Repairs and Maintenance	1,106	2,392
Equipment Rental	17,075	21,137
Dues and Fees	0	65
Capital Outlay	51,042	1,150
Total General Government	<u>\$ 216,113</u>	<u>\$ 264,406</u>

PUBLIC SAFETY

Aid to Other Governmental Units	<u>\$ 6,921</u>	<u>\$ 7,906</u>
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PUBLIC WORKS

Department of Public Works

Wages	\$ 75,619	\$ 22,273
Office Supplies	100	157
Operating Supplies	221	1,209
Professional Services	777	343
Contracted Services	49,404	3,800
Communications	988	1,300
Transportation	125	123
Printing and Publishing	0	296
Dues and Fees	13	0
Hydrant Maintenance	49,680	48,384
Clothing Allowance	545	376

Street Lighting

Utilities	10,918	11,709
Total Public Works	<u>\$ 188,390</u>	<u>\$ 89,970</u>

PLANNING

Planning and Zoning Board

Salaries and Wages	\$ 9,210	\$ 2,380
Professional Services	16,777	3,503
Printing and Publishing	3,581	829
Dues and Fees	100	0
Supplies	0	19

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	2006	2005
Transportation	0	11
Education and Training	396	0
Total Planning	<u>\$ 30,064</u>	<u>\$ 6,742</u>

RECREATION AND CULTURE

Parks and Recreation		
Professional Services	\$ 0	\$ 682
Contracted Services	0	910
Capital Outlay	2,500	34,631
Total Recreation and Cultural	<u>\$ 2,500</u>	<u>\$ 36,223</u>

OTHER FUNCTIONS

Fringe Benefits		
Social Security	\$ 11,942	\$ 11,874
Medicare	2,792	2,964
Health and Life Insurance	18,397	24,117
Retirement	4,369	4,293
Workers' Compensation	433	516
Insurance		
Property and Liability Insurance	15,419	17,118
Other		
Miscellaneous	552	2,605
Loan Principal Payments	54,738	21,058
Interest Expense	3,126	4,142
Total Other Functions	<u>\$ 111,768</u>	<u>\$ 88,687</u>
 TOTAL EXPENDITURES	 <u><u>\$ 570,986</u></u>	 <u><u>\$ 512,977</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF OTHER FINANCING SOURCES (USES)

YEAR ENDED FEBRUARY 28.

	<u>2006</u>	<u>2005</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Loan Proceeds	\$ 41,667	\$ 0
Transfers Out		
Local Street Fund	0	(31,000)
Recreational Complex Capital Project Fund	<u>(17,500)</u>	<u>0</u>
Total Other Financing (Uses)	<u>\$ 24,167</u>	<u>\$ (31,000)</u>

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2006	2005
<u>ASSETS</u>		
Cash		
Checking Account	\$ 57,244	\$ 34,920
Due from Other Governments	12,489	12,335
TOTAL ASSETS	<u>\$ 69,733</u>	<u>\$ 47,255</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 14,047	\$ 4,412
Due to Other Funds		
General Fund	0	1,608
Local Street Fund	1,000	0
Sewer Fund	11,839	11,839
Total Liabilities	\$ 26,886	\$ 17,859
<u>FUND BALANCE</u>		
Unreserved	42,847	29,396
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 69,733</u>	<u>\$ 47,255</u>

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
State Grants		
Michigan Transportation Fund (Act 51)	\$ 69,209	\$ 71,743
Interest and Rents		
Interest	<u>1,273</u>	<u>408</u>
 Total Revenues	 <u>\$ 70,482</u>	 <u>\$ 72,151</u>
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Salaries and Wages	\$ 8,664	\$ 9,018
Materials and Supplies	276	646
Equipment Rental	5,778	12,905
Repairs and Maintenance	1,040	0
Winter Maintenance		
Salaries and Wages	7,584	3,233
Materials and Supplies	7,836	6,491
Equipment Rental	9,885	6,157
Signs and Signals		
Repairs and Maintenance	2,890	2,456
Administration and General		
Salaries and Wages	105	105
Office Supplies	0	103
Workers' Compensation	749	737
Professional Services	526	400
Insurance	278	311

VILLAGE OF KINGSLEY, MICHIGAN

MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
Construction		
Streets	2,920	15,913
Storm Sewers	0	11,839
Total Expenditures	\$ 48,531	\$ 70,314
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,951	\$ 1,837
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
Local Street Fund	(8,500)	(7,500)
Net Change in Fund Balance	\$ 13,451	\$ (5,663)
<u>FUND BALANCE</u> - Beginning of Year	29,396	35,059
<u>FUND BALANCE</u> - End of Year	\$ 42,847	\$ 29,396

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2006	2005
<u>ASSETS</u>		
Cash		
Checking Account	\$ 23,753	\$ 13,570
Due from Major Street Fund	1,000	1,000
Due from Other Governmental Units	5,970	5,203
TOTAL ASSETS	<u>\$ 30,723</u>	<u>\$ 19,773</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 16,791	\$ 4,394
Due to Other Funds		
General Fund	0	2,020
Sewer Fund	13,152	13,152
TOTAL LIABILITIES	\$ 29,943	\$ 19,566
<u>FUND BALANCE</u>		
Unreserved	780	207
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 30,723</u>	<u>\$ 19,773</u>

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2006	2005
<u>REVENUES</u>		
State Grants		
Michigan Transportation Fund (Act 51)	\$ 29,893	\$ 29,869
Telecommunications Right of Way Maintenance	4,853	5,371
Interest and Rents		
Interest	449	136
Total Revenues	\$ 35,195	\$ 35,376
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Salaries and Wages	\$ 8,903	\$ 9,000
Materials and Supplies	239	811
Repair and Maintenance	930	0
Equipment Rental	4,526	8,472
Winter Maintenance		
Salaries and Wages	8,360	3,553
Materials and Supplies	7,825	7,751
Equipment Rental	10,767	6,638
Signs and Signals		
Materials and Supplies	0	108
Administration		
Salaries and Wages	45	45
Office Supplies	0	101
Workers' Compensation	749	737
Professional Services	500	1,055
Insurance	278	311
Engineering	0	1,000
Construction		
Streets	0	31,789
Storm Sewers	0	6,652
Total Expenditures	\$ 43,122	\$ 78,023
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,927)	\$ (42,647)

VILLAGE OF KINGSLEY, MICHIGAN

LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2006	2005
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
General Fund	\$ 0	\$ 31,000
Major Street Fund	8,500	7,500
Total Other Financing Sources (Uses)	\$ 8,500	\$ 38,500
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	\$ 573	\$ (4,147)
<u>FUND BALANCE</u> - Beginning of Year	207	4,354
<u>FUND BALANCE</u> - End of Year	\$ 780	\$ 207

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2006	2005
<u>ASSETS</u>		
Cash		
Checking Account	\$ 25,896	\$ 21,331
Certificate of Deposit	0	95,466
Due from Other Governments	50,000	0
TOTAL ASSETS	\$ 75,896	\$ 116,797
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 33,533	\$ 0
<u>FUND BALANCE</u>		
Unreserved	42,363	116,797
TOTAL LIABILITIES AND FUND BALANCE	\$ 75,896	\$ 116,797

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	2006	2005
<u>REVENUES</u>		
State Grants		
Department of Natural Resources	\$ 108,097	\$ 0
Contributions from Local Units	6,500	65,500
Interest and Rents		
Interest	2,625	600
Other Income		
Fundraising Income	2,530	3,546
Private Contributions	4,486	35,000
Sale of Timber	0	7,500
Miscellaneous	450	0
Total Revenues	\$ 124,688	\$ 112,146
<u>EXPENDITURES</u>		
Recreation and Culture		
Audit	\$ 500	\$ 400
Legal	1,771	0
Fundraising Expense	0	1,690
Contracted Services	2,340	1,913
Capital Outlay	272,103	20,404
Materials and Supplies	3,376	4,051
Repair and Maintenance	3,589	0
Fees and Permits	0	400
Equipment Rental	450	5,005
Operating Supplies	0	743
Printing and Publishing	258	21
Postage	28	0
Fuel and Oil	0	268
Water	7,000	0
Electric	207	421
Total Expenditures	\$ 291,622	\$ 35,316
Excess (Deficiency) of Revenues Over Expenditures	\$ (166,934)	\$ 76,830

VILLAGE OF KINGSLEY, MICHIGAN

RECREATIONAL COMPLEX CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>OTHER FINANCING SOURCES</u>		
Transfers In		
General Fund	\$ 17,500	\$ 0
Oil, Gas and Mineral Trust	75,000	0
Total Other Financing Sources	<u>\$ 92,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (74,434)	\$ 76,830
<u>FUND BALANCE</u> - Beginning of Year	<u>116,797</u>	<u>39,967</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 42,363</u></u>	<u><u>\$ 116,797</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

SOUTH BROWNSON CAPITAL PROJECTS FUND
BALANCE SHEET

FEBRUARY 28, 2006

ASSETS

Cash	\$ 77,548
Community Development Block Grant Receivable	20,460
Due from Other Governments	<u>6,213</u>
TOTAL ASSETS	<u>\$ 104,221</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 74,475
Due to General Fund	<u>29,746</u>
TOTAL LIABILITIES	\$ 104,221

FUND BALANCE

Unreserved	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 104,221</u>

VILLAGE OF KINGSLEY, MICHIGAN

SOUTH BROWNSON CAPITAL PROJECTS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28, 2006

REVENUES

Federal Grants	
Community Development Block Grant	\$ 170,281
Contributions from Local Units	<u>6,213</u>
Total Revenues	<u>\$ 176,494</u>

EXPENDITURES

Public Works	
Capital Outlay	<u>176,494</u>
Net Change in Fund Balance	\$ 0

<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 0</u></u>
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VILLAGE OF KINGSLEY, MICHIGAN

OIL, GAS AND MINERAL TRUST FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	2006	2005
<u>ASSETS</u>		
Cash	\$ 53,567	\$ 98,400
Investments	709,770	706,828
Accrued Interest Receivable	6,577	7,378
TOTAL ASSETS	<u>\$ 769,914</u>	<u>\$ 812,606</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for:		
Endowments	\$ 707,844	\$ 704,902
Civic Improvements	62,070	107,704
Total Fund Balance	<u>\$ 769,914</u>	<u>\$ 812,606</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 769,914</u>	<u>\$ 812,606</u>

VILLAGE OF KINGSLEY, MICHIGAN

OIL, GAS AND MINERAL TRUST FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Interest and Rents		
Investment Income	\$ 23,491	\$ 20,153
Oil and Gas Royalties	13,817	8,204
Total Revenues	\$ 37,308	\$ 28,357
<u>EXPENDITURES</u>		
Trust Fund Activities		
Trustee Fees	5,000	5,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 32,308	\$ 23,357
<u>OTHER FINANCING SOURCES(USES)</u>		
Transfers In (Out)		
Recreational Complex Capital Project Fund	(75,000)	0
Net Change in Fund Balance	\$ (42,692)	\$ 23,357
<u>FUND BALANCE</u> - Beginning of Year	812,606	789,249
<u>FUND BALANCE</u> - End of Year	\$ 769,914	\$ 812,606

VILLAGE OF KINGSLEY, MICHIGAN
WATER FUND
COMPARATIVE STATEMENT OF NET ASSETS
FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Operating Fund	\$ 32,023	\$ 7,266
Receiving Fund	143,246	58,534
Construction Fund	25,955	8,673
Water Tower	31,755	22,376
Accounts Receivable	8,774	15,289
Community Development Block Grant Receivable	144,260	0
Due from Other Funds		
General Fund	950	20
Sewer Fund	6,088	0
Prepaid Expenses	1,014	0
	<hr/>	<hr/>
Total Current Assets	\$ 394,065	\$ 112,158
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Cash		
Bond and Interest Redemption Funds	\$ 65,769	\$ 49,830
Bond Reserve Funds	67,024	43,242
	<hr/>	<hr/>
Total Restricted Assets	\$ 132,793	\$ 93,072
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Land and Land Improvements	\$ 22,038	\$ 16,781
Machinery and Equipment	1,064	1,064
Buildings and Improvements	37,521	0
Water System		
Wells and Well Houses	295,657	291,511
Water Tank	239,870	239,870
Water Mains	741,511	741,511
Construction in Progress	822,162	30,920
Accumulated Depreciation	(575,258)	(543,590)
	<hr/>	<hr/>
Net Capital Assets	\$ 1,584,565	\$ 778,067
	<hr/>	<hr/>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>OTHER ASSETS</u>		
Bond Issuance Costs	\$ 7,297	\$ 0
TOTAL ASSETS	<u>\$ 2,118,720</u>	<u>\$ 983,297</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 175,135	\$ 43,650
Retainage Payable	64,508	0
Customer Deposits	3,525	2,470
Due to Other Funds	0	11,214
Total Current Liabilities (Payable from Current Assets)	<u>\$ 243,168</u>	<u>\$ 57,334</u>
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Revenue Bonds Payable- Current Portion	\$ 25,000	\$ 20,000
Installment Purchase Agreement	9,885	0
Accrued Interest Payable	4,634	5,696
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 39,519</u>	<u>\$ 25,696</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable (Net of Current Portion)	\$ 420,000	\$ 200,000
Installment Purchase Agreement	28,606	0
Total Long Term Liabilities	<u>\$ 448,606</u>	<u>\$ 200,000</u>
Total Liabilities	<u>\$ 731,293</u>	<u>\$ 283,030</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,101,074	\$ 558,067
Unrestricted	286,353	142,200
TOTAL NET ASSETS	<u><u>\$ 1,387,427</u></u>	<u><u>\$ 700,267</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sales	\$ 129,305	\$ 118,278
Hydrant Rental	49,680	48,384
Water Tower Lease	8,050	6,600
Other Revenue	208	1,036
	<hr/>	<hr/>
Total Operating Revenues	\$ 187,243	\$ 174,298
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Administration and General		
Postage and Office Supplies	\$ 1,607	\$ 1,252
Professional Services	1,437	4,168
Contracted Services	1,065	23,031
Communications	348	303
Printing and Publishing	3,502	332
Insurance and Bonds	3,748	4,202
Bank Fees	915	1,008
Education and Training	0	400
Dues	1,526	1,441
Plant		
Salaries and Wages	40,850	35,381
Workers' Compensation	1,238	1,216
Operating Supplies	8,432	5,501
Meters	2,801	2,292
Utilities	11,107	10,783
Repairs and Maintenance	259	3,073
Equipment Rental	10,086	6,194
Engineering	0	8,098

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
Testing	1,940	879
Depreciation	31,668	31,289
Total Operating Expenses	\$ 122,529	\$ 140,843
Operating Income (Loss)	\$ 64,714	\$ 33,455
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Wellhead Protection Grant	\$ 15,300	\$ 0
Interest Income	6,216	811
User Contributions	20,400	17,683
Interest Expense	(15,044)	(14,370)
Total Nonoperating Revenues (Expenses)	\$ 26,872	\$ 4,124
Net Income (Loss)	\$ 91,586	\$ 37,579
Community Development Block Grant	595,574	0
Change in Net Assets	\$ 687,160	\$ 37,579
<u>TOTAL NET ASSETS</u> - Beginning of Year	700,267	662,688
<u>TOTAL NET ASSETS</u> - End of Year	\$ 1,387,427	\$ 700,267

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 186,741	\$ 239,459
Cash Payments to Suppliers for Goods and Services	<u>(93,959)</u>	<u>(145,951)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 92,782</u>	<u>\$ 93,508</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	\$ (657,546)	\$ (64,831)
User Contributions	20,400	17,683
Bond Proceeds	250,000	0
Loan Proceeds	41,666	0
Grant Proceeds	466,614	0
Principal Paid on Bonds	(25,000)	(20,000)
Principal Paid on Installment Loan	(3,175)	0
Interest Paid on Bonds	(15,482)	(14,870)
Interest Paid on Installment Loan	<u>(624)</u>	<u>0</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ 76,853</u>	<u>\$ (82,018)</u>
Cash Flows from Investing Activities		
Interest Income	<u>\$ 6,216</u>	<u>\$ 811</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 175,851	\$ 12,301
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>189,921</u>	<u>177,620</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 365,772</u></u>	<u><u>\$ 189,921</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ 64,714</u>	<u>\$ 33,455</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	\$ 31,668	\$ 31,289
(Increase) Decrease in Current Assets		
Accounts Receivable	6,516	(6,252)
Prepaid Expenses	(1,014)	0
Due from Other Funds	(7,018)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	131,485	37,762
Retainage Payable	64,508	0
Customer Deposits	1,055	192
Due to Other Funds	<u>(11,214)</u>	<u>(2,938)</u>
Total Adjustments	<u>\$ 215,986</u>	<u>\$ 60,053</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 280,700</u></u>	<u><u>\$ 93,508</u></u>

VILLAGE OF KINGSLEY, MICHIGAN
SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Operating Fund	\$ 7,123	\$ 15,179
Receiving Fund	313,208	402,092
Accounts Receivable	33,948	30,475
Rural Utilities Service Grant Receivable	66,600	221,668
Due from Other Funds		
Major Street	11,839	11,839
Local Street	13,152	13,152
Water Fund	0	7,435
Prepaid Expenses	8,496	8,940
	<hr/>	<hr/>
Total Current Assets	\$ 454,366	\$ 710,780
	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>		
Restricted Cash Accounts		
Sewer Construction Project	\$ 97,556	\$ 31,608
Sewer Improvement and Repair	45,629	44,384
Bond and Interest Redemption Funds	55,303	113,061
Bond Reserve Fund	13,515	47,738
Capital Improvement Fund	77,965	61,952
	<hr/>	<hr/>
Total Restricted Assets	\$ 289,968	\$ 298,743
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Land and Improvements	\$ 310,743	\$ 240,523
Buildings	308,854	0
Machinery and Equipment	385,408	186,378
Furniture and Fixtures	16,000	0
Tools	0	4,653
Sewer System		
Wastewater Treatment Facility	2,290,019	1,066,813
Pumping Station	110,398	110,398
Mains and Connections	1,905,492	1,765,492
Construction in Progress	0	2,163,733
Accumulated Depreciation	(1,255,801)	(1,767,875)
	<hr/>	<hr/>
Net Capital Assets	\$ 4,071,113	\$ 3,770,115
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,815,447	\$ 4,779,638
	<hr/>	<hr/>

VILLAGE OF KINGSLEY, MICHIGAN
SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 90,949	\$ 150,772
Construction Contract Retainage	0	93,000
Customer Deposits	0	1,250
Due to Other Funds		
General Fund	76	1,650
Water Fund	6,088	0
	<hr/>	<hr/>
Total Current Liabilities (Payable from Current Assets)	\$ 97,113	\$ 246,672
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Revenue Bonds Payable - Current Portion	\$ 12,000	\$ 156,000
Installment Purchase Agreement	9,885	0
Accrued Interest Payable	17,698	19,025
	<hr/>	<hr/>
Total Current Liabilities (Payable from Restricted Assets)	\$ 39,583	\$ 175,025
<u>LONG-TERM LIABILITIES (Net of Current Portion)</u>		
Revenue Bonds Payable	\$ 1,199,000	\$ 1,211,000
Installment Purchase Agreement	28,606	0
Less Advanced Refunding Costs	0	(5,347)
	<hr/>	<hr/>
Total Long-Term Liabilities	\$ 1,227,606	\$ 1,205,653
	<hr/>	<hr/>
Total Liabilities	\$ 1,364,302	\$ 1,627,350
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,821,622	\$ 2,408,462
Unrestricted	629,523	743,826
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 3,451,145	\$ 3,152,288
	<hr/>	<hr/>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Service	\$ 283,375	\$ 259,722
Other Revenue	1,045	0
Total Operating Revenues	\$ 284,420	\$ 259,722
<u>OPERATING EXPENSES</u>		
Administration and General		
Office Supplies	\$ 4,297	\$ 1,423
Bank Service Charges	1,325	445
Professional Services	4,029	3,835
Legal Fees	360	520
Insurance and Bonds	5,087	4,844
Dues	94	93
Printing and Publishing	601	1,769
Miscellaneous	1,022	152
Plant		
Salaries and Wages	21,996	30,310
Operating Supplies	627	455
Permits and Fees	5,699	3,695
Utilities	27,393	13,101
Repairs and Maintenance	802	2,505
Contracted Plant Operation	69,750	0
Lab Fees	782	3,312
Equipment Rental	5,751	16,862
Amortization	0	1,186
Depreciation	100,017	69,378
Total Operating Expenses	\$ 249,632	\$ 153,885
Operating Income (Loss)	\$ 34,788	\$ 105,837

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	2006	2005
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 19,987	\$ 9,479
Interest Expense	(25,419)	(7,128)
Lease Income	19,200	24,475
User Contributions	24,940	18,725
Write Off of Abandoned Lagoon Treatment System	(389,371)	0
Total Nonoperating Revenues (Expenses)	\$ (350,663)	\$ 45,551
Net Income (Loss)	\$ (315,875)	\$ 151,388
Rural Utilities Service Grant	614,732	975,268
Change in Net Assets	\$ 298,857	\$ 1,126,656
<u>TOTAL NET ASSETS</u> - Beginning of Year	3,152,288	2,025,632
<u>TOTAL NET ASSETS</u> - End of Year	\$ 3,451,145	\$ 3,152,288

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 279,712	\$ 248,218
Cash Payments to Suppliers for Goods and Services	(155,861)	(130,147)
	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	\$ 123,851	\$ 118,071
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	\$ (888,216)	\$ (1,941,331)
Bond Proceeds	0	1,222,000
Loan Proceeds	41,666	0
Grant Proceeds	769,800	753,600
User Contributions	23,690	19,975
Principal Paid on Bonds	(156,000)	(15,000)
Principal Paid on Installment Loan	(3,175)	0
Interest Paid on Bonds	(55,894)	(14,648)
Interest Paid on Installment Loan	(624)	0
Lease Income	19,200	24,475
	<hr/>	<hr/>
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ (249,553)	\$ 49,071
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Income	\$ 19,987	\$ 9,479
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (105,715)	\$ 176,621
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	716,014	539,393
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 610,299	\$ 716,014
	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF KINGSLEY, MICHIGAN

SANITARY SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 34,788	\$ 105,837
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	\$ 100,017	\$ 70,564
(Increase) Decrease in Current Assets		
Accounts Receivable	(3,473)	(10,254)
Prepaid Expenses	444	(4,410)
Due from Other Funds	7,435	(25,926)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(19,874)	(18,246)
Due to Other Funds	4,514	506
Total Adjustments	\$ 89,063	\$ 12,234
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 123,851	\$ 118,071

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	2006	2005
Cash		
Checking Account	\$ 24,285	\$ 20,759
Savings Account	57,481	40,287
Accounts Receivable	12,914	0
Prepaid Expenses	3,632	3,757
Total Current Assets	<u>\$ 98,312</u>	<u>\$ 64,803</u>
<u>CAPITAL ASSETS</u>		
Machinery and Equipment	\$ 295,902	\$ 295,902
Accumulated Depreciation	(180,448)	(158,439)
Total Capital Assets	<u>\$ 115,454</u>	<u>\$ 137,463</u>
<u>OTHER ASSETS</u>		
Loan Legal Fees	\$ 1,749	\$ 1,749
Accumulated Amortization	(1,749)	(1,457)
Total Other Assets	<u>\$ 0</u>	<u>\$ 292</u>
 TOTAL ASSETS	 <u>\$ 213,766</u>	 <u>\$ 202,558</u>
	<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,166	\$ 5,733
Due to General Fund	0	2,265
Total Current Liabilities	<u>\$ 5,166</u>	<u>\$ 7,998</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets	\$ 115,454	\$ 137,463
Unrestricted	93,146	57,097
 TOTAL NET ASSETS	 <u><u>\$ 208,600</u></u>	 <u><u>\$ 194,560</u></u>

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Equipment Rental	\$ 71,116	\$ 83,250
<u>OPERATING EXPENSES</u>		
Salaries and Wages	\$ 13,720	\$ 12,189
Office Supplies	229	1,087
Professional Services	500	900
Communications	962	896
Gasoline and Oil	7,385	6,652
Fleet Insurance	5,097	3,075
Workers' Compensation Insurance	499	561
Repairs and Maintenance	7,877	12,486
Miscellaneous	0	90
Amortization	292	583
Depreciation	22,009	23,350
Total Operating Expenses	\$ 58,570	\$ 61,869
Operating Income (Loss)	\$ 12,546	\$ 21,381
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 1,494	\$ 413
Interest Expense	0	(411)
Total Nonoperating Revenues (Expenses)	1,494	2
Net Income	\$ 14,040	\$ 21,383
<u>TOTAL NET ASSETS</u> - Beginning of Year	194,560	173,177
<u>TOTAL NET ASSETS</u> - End of Year	\$ 208,600	\$ 194,560

VILLAGE OF KINGSLEY, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28.

	<u>2006</u>	<u>2005</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Receipts from Interfund Services Provided	\$ 58,202	83,250
Payments to Suppliers	(25,256)	(23,089)
Payments to Employees	(13,720)	(12,106)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 19,226</u>	<u>\$ 48,055</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Long-Term Debt	\$ 0	\$ (28,848)
Interest on Loans Payable	0	(411)
Acquisition of Capital Assets	0	(3,500)
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>\$ 0</u>	<u>\$ (32,759)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest Income	\$ 1,494	\$ 413
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 20,720	\$ 15,709
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>61,046</u>	<u>45,337</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 81,766</u>	<u>\$ 61,046</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ 12,546</u>	<u>\$ 21,381</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	\$ 22,301	\$ 23,933
(Increase) Decrease in Current Assets		
Accounts Receivable	(12,914)	0
Prepaid Expenses	125	(1,099)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(567)	3,757
Due to Other Funds	(2,265)	83
Total Adjustments	<u>\$ 6,680</u>	<u>\$ 26,674</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 19,226</u>	<u>\$ 48,055</u>

VILLAGE OF KINGSLEY
STATEMENT OF 2005 TAX ROLL
FEBRUARY 28, 2006

	TAXABLE	MILLS	TAXES	TAXES	TAXES
	VALUATION	LEVIED	ASSESSED	RETURNED	COLLECTED
				DELINQUENT	
Village Tax	\$ 21,426,907	10.0558	\$ 215,692	\$ 23,551	\$ 192,141
Administration Fee			1,107	126	981
Total			\$ 216,799	\$ 23,677	\$ 193,122

VILLAGE OF KINGSLEY
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF 2005 TAX ROLL
FEBRUARY 28, 2006

	CAPTURED TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Grand Traverse County	648,357	4.4713	\$ 2,899	\$ 92	\$ 2,807
Medical Care	648,357	0.6785	384	0	384
Bay Area Transportation Authority	648,357	0.3428	194	0	194
Grand Traverse County Commission on Aging	648,357	0.2718	153	0	153
Traverse City District Library Operating	648,357	0.9827	555	0	555
Debt	648,357	0.213	120	0	120
Northwestern Michigan College Voted	648,357	1.4058	794	0	794
Operating	648,357	0.8266	467	0	467
Debt	648,357	0.6000	340	0	340
Village of Kingsley	648,357	10.0558	6,289	164	6,125
			<u>\$ 12,195</u>	<u>\$ 256</u>	<u>\$ 11,939</u>

VILLAGE OF KINGSLEY, MICHIGAN
WATER REVENUE BONDS, SERIES 1992
FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Water Revenue Bonds, Series 1992		
<u>PURPOSE</u>	Defraying the cost of acquiring and constructing improvements to the Village's water supply system.		
<u>DATE OF ISSUE</u>	September 1, 1992		
<u>AMOUNT OF ISSUE</u>			\$ 410,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 190,000	
During Current Year		25,000	215,000
<u>BALANCE OUTSTANDING</u> - February 28, 2006			<u>\$ 195,000</u>

<u>CALL PROVISIONS</u>	Bonds maturing in the years 1993 through 2000 are not subject to redemption prior to maturity. Bonds maturing after 2001 are subject to redemption in any order of maturity on any interest payment date after October 1, 2001, at par and accrued interest plus a premium of 1% if called prior to October 1, 2005, and 1/2% thereafter.
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<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2006			\$ 6,079	\$ 6,079
October 1, 2006	6.10%	\$ 25,000	6,079	31,079
April 1, 2007			5,316	5,316
October 1, 2007	6.15%	25,000	5,316	30,316
April 1, 2008			4,547	4,547
October 1, 2008	6.20%	25,000	4,547	29,547
April 1, 2009			3,773	3,773
October 1, 2009	6.25%	30,000	3,773	33,773
April 1, 2010			2,835	2,835
October 1, 2010	6.30%	30,000	2,835	32,835
April 1, 2011			1,890	1,890
October 1, 2011	6.30%	30,000	1,890	31,890
April 1, 2012			945	945
October 1, 2012	6.30%	30,000	945	30,945
		<u>\$ 195,000</u>	<u>\$ 50,770</u>	<u>\$ 245,770</u>

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004
FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Village of Kingsley \$1,222,000 Junior Lien Sewer Revenue Bonds, Series 2004
<u>PURPOSE</u>	Acquisition and Construction of Improvements to the Sewer System
<u>DATE OF ISSUE</u>	May 19, 2004
<u>AMOUNT OF ISSUE</u>	\$ 1,222,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 0
During Current Year	11,000
<u>BALANCE OUTSTANDING</u> - February 28, 2006	<u>11,000</u> <u>\$ 1,211,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2006	4.375%	\$ 12,000	\$ 26,491	\$ 38,491
November 1, 2006			26,228	26,228
May 1, 2007	4.375%	12,000	26,228	38,228
November 1, 2007			25,966	25,966
May 1, 2008	4.375%	13,000	25,966	38,966
November 1, 2008			25,681	25,681
May 1, 2009	4.375%	14,000	25,681	39,681
November 1, 2009			25,375	25,375
May 1, 2010	4.375%	14,000	25,375	39,375
November 1, 2010			25,069	25,069
May 1, 2011	4.375%	15,000	25,069	40,069
November 1, 2011			24,741	24,741
May 1, 2012	4.375%	16,000	24,741	40,741
November 1, 2012			24,391	24,391
May 1, 2013	4.375%	16,000	24,391	40,391
November 1, 2013			24,041	24,041
May 1, 2014	4.375%	17,000	24,041	41,041
November 1, 2014			23,669	23,669
May 1, 2015	4.375%	18,000	23,669	41,669

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004
FEBRUARY 28, 2006

DUE DATES	INTEREST RATE	REQUIREMENTS		
		PRINCIPAL	INTEREST	TOTAL
November 1, 2015			23,275	23,275
May 1, 2016	4.375%	19,000	23,275	42,275
November 1, 2016			22,859	22,859
May 1, 2017	4.375%	19,000	22,859	41,859
November 1, 2017			22,444	22,444
May 1, 2018	4.375%	20,000	22,444	42,444
November 1, 2018			22,006	22,006
May 1, 2019	4.375%	21,000	22,006	43,006
November 1, 2019			21,547	21,547
May 1, 2020	4.375%	22,000	21,547	43,547
November 1, 2020			21,066	21,066
May 1, 2021	4.375%	23,000	21,066	44,066
November 1, 2021			20,563	20,563
May 1, 2022	4.375%	24,000	20,563	44,563
November 1, 2022			20,038	20,038
May 1, 2023	4.375%	25,000	20,038	45,038
November 1, 2023			19,491	19,491
May 1, 2024	4.375%	26,000	19,491	45,491
November 1, 2024			18,922	18,922
May 1, 2025	4.375%	27,000	18,922	45,922
November 1, 2025			18,331	18,331
May 1, 2026	4.375%	29,000	18,331	47,331
November 1, 2026			17,697	17,697
May 1, 2027	4.375%	30,000	17,697	47,697
November 1, 2027			17,041	17,041
May 1, 2028	4.375%	31,000	17,041	48,041
November 1, 2028			16,363	16,363
May 1, 2029	4.375%	33,000	16,363	49,363
November 1, 2029			15,641	15,641
May 1, 2030	4.375%	34,000	15,641	49,641
November 1, 2030			14,897	14,897
May 1, 2031	4.375%	36,000	14,897	50,897
November 1, 2031			14,109	14,109
May 1, 2032	4.375%	37,000	14,109	51,109
November 1, 2032			13,300	13,300
May 1, 2033	4.375%	39,000	13,300	52,300
November 1, 2033			12,447	12,447
May 1, 2034	4.375%	41,000	12,447	53,447
November 1, 2034			11,550	11,550

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN SEWER REVENUE BONDS, SERIES 2004
FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2035	4.375%	43,000	11,550	54,550
November 1, 2035			10,609	10,609
May 1, 2036	4.375%	45,000	10,609	55,609
November 1, 2036			9,625	9,625
May 1, 2037	4.375%	47,000	9,625	56,625
November 1, 2037			8,597	8,597
May 1, 2038	4.375%	49,000	8,597	57,597
November 1, 2038			7,525	7,525
May 1, 2039	4.375%	51,000	7,525	58,525
November 1, 2039			6,409	6,409
May 1, 2040	4.375%	53,000	6,409	59,409
November 1, 2040			5,250	5,250
May 1, 2041	4.375%	56,000	5,250	61,250
November 1, 2041			4,025	4,025
May 1, 2042	4.375%	58,000	4,025	62,025
November 1, 2042			2,756	2,756
May 1, 2043	4.375%	61,000	2,756	63,756
November 1, 2043			1,422	1,422
May 1, 2044	4.375%	65,000	1,422	66,422
		<u>\$ 1,211,000</u>	<u>\$ 1,316,423</u>	<u>\$ 2,527,423</u>

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN WATER REVENUE BONDS, SERIES 2005
FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Junior Lien Water Revenue Bonds, Series 2005		
<u>PURPOSE</u>	Acquisition and construction of Improvements to the Public Water Supply System		
<u>DATE OF ISSUE</u>	August 16, 2005		
<u>AMOUNT OF ISSUE</u>			\$ 250,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	0	
During Current Year		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING</u> - February 28, 2006			<u>\$ 250,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2006			\$ 5,517	\$ 5,517
October 1, 2006			5,517	5,517
April 1, 2007			5,517	5,517
October 1, 2007			5,517	5,517
April 1, 2008			5,517	5,517
October 1, 2008			5,517	5,517
April 1, 2009			5,517	5,517
October 1, 2009	3.35%	5,000	5,517	10,517
April 1, 2010			5,433	5,433
October 1, 2010	3.50%	5,000	5,433	10,433
April 1, 2011			5,345	5,345
October 1, 2011	3.60%	5,000	5,345	10,345
April 1, 2012			5,255	5,255
October 1, 2012	3.80%	5,000	5,255	10,255
April 1, 2013			5,160	5,160
October 1, 2013	3.95%	15,000	5,160	20,160
April 1, 2014			4,864	4,864
October 1, 2014	4.05%	15,000	4,864	19,864
April 1, 2015			4,560	4,560
October 1, 2015	4.15%	20,000	4,560	24,560
April 1, 2016			4,145	4,145
October 1, 2016	4.25%	20,000	4,145	24,145
April 1, 2017			3,720	3,720
October 1, 2017	4.30%	20,000	3,720	23,720
April 1, 2018			3,290	3,290

VILLAGE OF KINGSLEY, MICHIGAN
JUNIOR LIEN WATER REVENUE BONDS, SERIES 2005
FEBRUARY 28, 2006

October 1, 2018	4.40%	20,000	3,290	23,290
April 1, 2019			2,850	2,850
October 1, 2019	4.50%	20,000	2,850	22,850
April 1, 2020			2,400	2,400
October 1, 2020	4.60%	20,000	2,400	22,400
April 1, 2021			1,940	1,940
October 1, 2021	4.70%	20,000	1,940	21,940
April 1, 2022			1,470	1,470
October 1, 2022	4.80%	20,000	1,470	21,470
April 1, 2023			990	990
October 1, 2023	4.90%	20,000	990	20,990
April 1, 2024			500	500
October 1, 2024	5.00%	20,000	500	20,500
		<u>\$ 250,000</u>	<u>\$ 147,980</u>	<u>\$ 397,980</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Village Council
Village of Kingsley, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Village of Kingsley, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village of Kingsley, Michigan's basic financial statements and have issued our report thereon dated June 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Kingsley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Kingsley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Village Council
Village of Kingsley, Michigan

We have audited the compliance of the Village of Kingsley, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended February 28, 2006. The Village of Kingsley's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village of Kingsley's management. Our responsibility is to express an opinion on the Village of Kingsley's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Kingsley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Kingsley's compliance with those requirements.

In our opinion, the Village of Kingsley complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended February 28, 2006.

Internal Control Over Compliance

The management of the Village of Kingsley is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Kingsley's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF KINGSLEY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED FEBRUARY 28, 2006

	FEDERAL CFDA NUMBER	ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department Agriculture			
Rural Development Administration			
Direct Program			
Water and Waste Disposal Systems			
for Rural Communities	10.760	Unknown	
Grant			<u>614,732</u>
Total Direct Program			<u>\$ 614,732</u>
Total U.S. Department on Agriculture			<u>\$ 614,732</u>
U.S. Department of Housing and Urban Development			
Community Planning and Development			
Pass-through Program from:			
Michigan Economic Development Corporation			
Title I of the Housing and			
Community Development			
Act of 1974	14.228	MSC 203077-PW	\$ 595,574
		MSC 204048-PW	<u>170,281</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 765,855</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u><u>\$ 1,380,587</u></u>

VILLAGE OF KINGSLEY, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Kingsley, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

VILLAGE OF KINGSLEY, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED FEBRUARY 28, 2006

There were no prior audit findings.

VILLAGE OF KINGSLEY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED FEBRUARY 28, 2006

Section I - Summary of Auditors= Results

Financial Statements

Type of auditors' report issued: Unqualified

! Material weakness(es) identified: _____ Yes X No

! Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

! Material weakness(es) identified: _____ Yes X No

! Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities Grant
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None